

AT AN EXTENDED MEETING OF THE CULPEPER COUNTY BOARD OF SUPERVISORS, HELD IN THE BOARD ROOM LOCATED AT 302 N. MAIN STREET, ON APRIL 25, 2006

Board Members Present: *John F. Coates, Chairman*
Steven E. Nixon, Vice-Chairman
Larry W. Aylor
William C. Chase, Jr.
Sue D. Hansohn
Brad C. Rosenberger
Steven L. Walker

Staff Present: Frank T. Bossio, County Administrator
J. David Maddox, County Attorney
Valerie H. Lamb, Finance Director
John C. Egertson, Planning Director
Peggy S. Crane, Deputy Clerk

CALL TO ORDER

Mr. Coates called the meeting to order at 10:00 a.m.

RE: AGENDA – ADDITIONS AND/OR DELETIONS

Mr. Nixon moved, seconded by Mrs. Hansohn, to approve the agenda as presented.

Mr. Coates called for voice vote.

Ayes - Aylor, Chase, Coates, Hansohn, Nixon, Rosenberger, Walker

Motion carried 7 to 0.

RE: TAX RATES FOR CALENDAR YEAR 2006

Mr. Bossio stated the tax levies that were being proposed on real estate, personal property, machinery and tools, and aircraft for calendar year 2006 were based on several large projects anticipated in the next two years, such as a new jail and a new elementary school. He said the proposed tax rates were advertised for a 7-cent increase in the real estate tax and \$1.00 increase in the personal property tax, which would raise approximately \$2.1 million from real estate taxes and \$4 million from personal property taxes to pay for debt service for the new high school. He noted that an endeavor was made to balance the budget without increasing the real estate tax by changing the existing rate for business equipment, motorcycles, large trucks, trailers, road tractors, tractor trailers and vehicles from \$2.50 to \$3.50, leaving the categories of boat and motor, travel camper and motor homes at the \$2.50 rate, and changing the rate for airplanes to 63 cents. He explained that the Commissioner of the Revenue had changed the tax rate for airplanes from 25 percent of

fair market value to 100 percent of fair market value and the equalization rate was 62.5 cents, which was being rounded to 63 cents. He said the proposed changes in the tax rates would raise the revenue required to balance the budget, as well as providing an additional \$2 million to the School operating budget. He said that the Board had approximately \$2.1 million flexibility on the real estate side and \$4 million flexibility on the personal property side, so any combination of those two would raise the \$4 million needed to balance the budget, whether it be \$2 million from the real estate and \$2 million from personal property; or \$4 million from personal property and zero from real estate which was being recommended. He said it should be mentioned that the Chamber of Commerce had asked that the impact on business personal property be discussed.

Mr. Chase stated he had attended the Chamber's morning meeting at which members expressed their concern regarding the impact of a 40-percent increase in business tax on the small businessmen in the community, especially in conjunction with the Commissioner of the Revenue's new depreciation schedule in the same year.

Mrs. Valerie Lamb, Finance Director, displayed several spreadsheets on the board. Mr. Bossio referenced the printout regarding the impact on business personal property. He explained that for the existing method and rate and year of purchase, the rate was currently at \$2.50 per \$100, which would equate to \$125 on a \$10,000 piece of equipment in business personal property tax, which would accumulate over the course of the four years. He said if the Commissioner of the Revenue changed the method next year, that dollar value would change from \$125 on that same piece of equipment to \$175, but if the existing method were retained and the new rate applied, the dollar value would also be \$175. He stated that Mr. Chase's concern was regarding the compound effect of raising the rate at the same time the Commissioner of the Revenue was changing the method of assessment.

Mr. Chase stated he understood that the depreciation schedule would be increased to 70 percent of value of the equipment and, over a five-year period, would decrease to the current 50 percent, and he did not believe that would be helping small businesses.

Mr. Nixon asked how much the real estate tax would be affected if the personal property tax were not increased. Mr. Bossio replied that approximately 14 cents in real estate tax would be required to fund the budget as presented, if there were no increases in the personal property tax.

Mr. Rosenberger commented that the new implementation by the Commissioner of the Revenue on business machinery and tools would take into account depreciation whereas the old formula did not. He pointed out that currently the percentage of value was set at a certain rate and it remained constant with depreciation not being considered, but if a fair market system were used and equipment depreciated in value, the tax levy would decrease.

Mr. Chase agreed but pointed out that only if an owner kept the equipment over five years would he/she benefit since the equipment was currently set at 50 percent, but would not benefit when the rate was changed to 70 percent and decreasing to 50 percent over five years.

Mrs. Lamb stated that the Commissioner of the Revenue presented a sheet yesterday that started at 70 percent and decreased to 20 percent, instead of staying at 50 percent for the life of the equipment.

Mrs. Hansohn stated she was not in favor of raising the real estate tax this year, and felt that raising the personal property tax was the way to proceed. She pointed out that next year would be difficult with a reassessment taking place.

Mrs. Hansohn moved, seconded by Mr. Rosenberger, to set the 2006 levy for real estate tax at the current rate of 82 cents per hundred and fire and rescue tax at 7 cents; personal property tax on airplanes at 63 cents; boat/motor, travel/camper trailer, and motor homes at the current rate of \$2.50; the balance of personal property, which included business equipment, motorcycles, large trucks, trailers, road tractors, tractor trailers and vehicles at \$3.50; and the current rates for mobile homes at 89 cents, vehicles for hire at \$2.00, and machinery and tools at \$2.00.

Mr. Walker stated he would oppose the methodology presented as he had last year because he did not believe increasing the personal property tax on businesses was the way to proceed. He said that the voters had indicated several years ago that the car tax should be lowered and, as Mr. Chase and the Chamber of Commerce had indicated, the change in depreciation would have a double impact on businesses. He stated while he agreed with the Commissioner of the Revenue's changing the method of depreciation on equipment, the increase in personal property tax would have a damaging effect on businesses and he would oppose the motion.

Mr. Chase stated that while he agreed with Mr. Walker, he would support the motion because he did not feel that people on fixed incomes should continue to have their real estate taxes increased. He noted that if the food and meals tax could be passed by the citizens, increases in real estate taxes might not be necessary next year.

Mr. Maddox stated he wanted to clarify that the motion on the floor was 82 cents for the real estate tax plus 7 cents for the fire and rescue tax.

Mr. Coates stated that the Board was trying to encourage businesses to locate in Culpeper and to retain the existing businesses, and he could appreciate the Chamber of Commerce's concern. He agreed that a 40-percent increase was a large increase, but he did not see any other course to take other than raising the personal property tax. He stated that he considered boats and motors, travel/camper trailers, motor homes, motorcycles, and airplanes to be recreational vehicles.

Mr. Nixon stated he appreciated the concerns expressed regarding the impact on businesses, but the Board had to consider the needs of the County as a whole. He noted that while the Board could raise real estate taxes or personal property taxes to cover the budget as presented, he was not in favor of changing the budget because it was a fair budget that included adequate funding for the schools and for the County to meet its obligations.

Mr. Aylor stated he would support the motion as presented. He said there was nothing friendly about raising taxes, but he agreed with Mr. Nixon that this was the best way to proceed in order to meet the Board's obligations.

Mr. Chase called the question.

Mr. Coates stated he would support the motion even though there would be an impact on businesses.

Mr. Coates called for voice vote.

Ayes - Aylor, Chase, Coates, Hansohn, Nixon, Rosenberger

Nay - Walker

Motion carried 6 to 1.

RE: ADOPTION OF FY 2006 COUNTY BUDGET

Mr. Bossio asked Mrs. Lamb to discuss the budget with the proposed tax increases just approved by the Board.

Mrs. Lamb referenced the budget sheet with the notation "PPT increase \$1.00" as the scenario just approved. She stated that budget would cover the School Board's request, place \$2.2 million in the School CIP for the ten-classroom addition at Farmington, cover the debt service and designate approximately \$3 million in funding to the County CIP for the loop road.

Mr. Walker questioned the \$2.2 million designated for the ten-classroom addition at Farmington and indicated he would rather have the \$2.2 million be used in funding a new elementary school. He stated that it was possible for the schools to figure out how to deal with the situation at Farmington without taking more money and putting it into a site that lacked sufficient building space and parking. He said that the more money that could be added to the CIP for the future new elementary school, the sooner it could be funded, perhaps as early as January 2008.

Mr. Chase pointed out that the money in the CIP designated for the Farmington project could be shifted later.

Mr. Bossio stated that the \$2.2 million was a portion of the money returned by the School System at the end of the year and had been designated for the Farmington classroom expansion in order that construction could begin as quickly as possible to accommodate the students expected next year. He said the \$500,000 that was returned was designated for the capital fund programmed for the new elementary school. He indicated that since the funds would not become available until July, there was sufficient time to hold discussions with Dr. Cox and the School Board to see if a compelling case would be made to shift priorities.

Mr. Walker stated he agreed with Mr. Chase that the funds did not need to be designated to a specific school construction project, but placed in a future capital fund until the Board decided what was best for the community. He said he did not agree with Mr. Bossio that once the Board designated the funds, they remained in that line item unless the Board changed the designation when appropriating the budget. He mentioned that he did not think the High School Annex had alleviated that school's situation and the County spent approximately \$3 or \$4 million on a building that could have been used for a new elementary school. He said he preferred that the funds be used for an end solution rather than a temporary one.

Mr. Nixon asked what effect would the designation of the \$2.2 million have on future construction of an elementary school and the County's borrowing capability for the construction of a new jail. Mr. Bossio replied that construction of a new jail was anticipated for 2010 and he was not prepared to answer that question because it would depend upon a number of factors yet to be determined. He said if the Board decided to leave the \$2.2 million in future school capital, the next step would be for him and Dr. Cox to have further discussions as mentioned earlier.

Mr. Nixon asked whether the approximate \$21 million being requested for construction of the new elementary school included the purchase of the property. Mr. Bossio replied that he did not believe the land was included and thought the School Board was currently looking at the property at Yowell Drive.

Mr. Chase acknowledged that the \$2.2 million would be going to the schools and it should be placed in the capital fund to continue to draw interest because it was not known how much and when it would be needed.

Mr. Nixon pointed out that the jail was severely overcrowded and had been for many years. He acknowledged that the schools were also overcrowded, but progress had been made in that direction while no progress had been made in easing the overcrowding in the jail. He did not see any problem in putting the \$2.2 million toward the future construction of the elementary school, but he did not want to see one project take the place of the other. He said he wanted to proceed with the jail in a timely manner, but no one had assured him that could be done in conjunction with building a new elementary school. He noted that he agreed with the concept of a new elementary school because it would ultimately solve the problem, while the ten-classroom addition would not. He said he preferred to see a long-term solution, but wanted assurance that the new elementary school would not affect the borrowing capability of the County.

Mr. Bossio stated that more detailed study would be required before he could answer Mr. Nixon's concerns. He said that the County's borrowing capability in the next fiscal year was approximately \$22 million. Mrs. Lamb indicated to Mr. Bossio that the County's actual borrowing capacity was approximately \$22 million over the next two years – \$10 million in calendar year 2007 and \$12 million in calendar year 2008.

Mr. Bossio stated that the plan was to put sufficient funds into the budget, utilizing the \$2.2 million and other sources of revenue, such as anticipated proffers, in order to

minimize the amount to be borrowed. He said he understood that the School Board and Dr. Cox were hesitant in proceeding because some of the planning needed to be done prior to budget approval. He stated the funds could be left in the CIP for the Board to designate at a future time and it would not change the construction of the budget.

Mr. Chase stated he was not as concerned about the borrowing capability of the County as he was about the payback capacity.

Mrs. Hansohn stated it was a moot point for the Board to discuss whether to build ten classrooms at Farmington or a new elementary school, because that was a decision to be made by the School Board. She said the School Board did not have all the figures it needed to proceed with a new elementary school, but did have the necessary information for the ten additional classrooms. She said that funds would be needed by the School Board for additional classroom space whether it be a ten-classroom addition, a new elementary school, or perhaps trailers. She suggested that the funds be designated for "new elementary space" and to keep the \$2.2 in the 2007 budget and the \$21.7 in the 2008 budget so that funds would be available to use for additional elementary space based on whatever the School Board decided was best for the school system.

Mr. Nixon agreed that the \$2.2 million should be left in the CIP until such time as it was determined exactly where it should be utilized. Mr. Bossio agreed that could be done, but he needed to get together as soon as possible with Dr. Cox and the School Board to provide them with as much information as possible to make that decision.

Mr. Nixon questioned if it was a School Board decision once the funds were placed in the CIP. Mr. Bossio replied that it was. He said for clarification purposes, \$1.8 million was for the classroom extension and \$400,000 for soft costs, for a total of \$2.2 million.

Mr. Nixon questioned whether money could still be borrowed in 2009 and 2010 to cover a new jail if the \$2.2 million were earmarked for the elementary school. Mr. Bossio replied that was a question he could not answer without a discussion with Davenport, the County's financial consultant, but he felt that it would have an impact on the jail. He said they were rapidly coming to a decision about one or the other.

Mr. Nixon asked whether the recommendation was to place the \$2.2 million into a CIP fund designated to the schools, and at some future point the School Board would determine where that money would be spent. Mr. Bossio agreed that was the original recommendation, but he concluded from the discussions that the Board was moving along

the lines suggested by Mrs. Hansohn to leave the \$2.2 million in the County's CIP for future elementary space.

Mr. Coates stated he had listened to the discussion with interest and questioned whether the Board would need to come back at a later date and debate the issue of the \$2.2 million once again. He said the School Board had established the need, the Board acknowledged there was a need, and no further debate was necessary.

Mr. Walker stated there would be a lot of debate regarding the jail versus the elementary school. He said the elementary school might have to take a back seat to the jail if the County was mandated by the State to correct the overcrowding in the jail. He cautioned the Board to be very careful in deciding how the capital dollars were to be spent because of the extreme pressure the County was under in funding the new high school. He said the Board would need to be fairly conservative with these capital funds because there would be serious debates regarding to best way to spend them. He pointed out there were options in the educational field for the School Board to take, even though they may not prefer to take them, but he did not believe there were options the County could take regarding a new jail. He said there were legal consequences the State could enforce regarding the jail that had been operating at 200 percent to 300 percent over capacity at times.

Mr. Coates stated that a new jail would cost approximately \$30 million and he did not know how much of that would be forthcoming from the State. He asked Mr. Bossio if 50 percent could be anticipated. Mr. Bossio replied that the jail study had been submitted to the State, and the State was currently debating the budget. He said he anticipated a percentage figure would be provided shortly.

Mr. Bossio stated he would like to comment further regarding debt limits. He said that one of the things the Finance staff did when working with the County's financial consultant was to project how the County's borrowing power might be increased by considering reassessments. He noted that the question of paying back money was more a question of how much the Board would be willing to raise taxes, and the question of financial viability was more a comparison of debt load to those measures the Board adopted recently. He agreed that it was not really a question of just raising taxes to try to meet debt loaning, but there was a payback function as well.

Mr. Nixon stated the point he was trying to make was that if the \$2.2 million were used to build the ten-classroom extension at Farmington, it may severely affect the availability to build the new elementary school in future years because that \$2.2 million would not be available to apply toward that project. He noted that interest rates were on the rise, and it would cost more to borrow \$22 million and would cost more for the debt service for the high school in terms of percentage rates. He said it should be understood that if the Board gave the schools what they asked for and funded the priority that they indicated, it would affect the construction of the new elementary school in the future. He repeated that he wanted everybody to be aware that a new jail would have to be built and if both projects were contemplated at the same time, a decision would have to be made regarding priorities.

Mrs. Hansohn stated there had been a good discussion on all of the future needs and she did not believe that the elementary school should “take a back seat” to the jail. She said instead, the Board needed to manage the funds that were available and determine how to provide what was needed. She pointed out that the Board should also consider whether a new \$30 million jail would be needed or whether it could be designed for less.

Mr. Chase noted that before further discussions took place, the Board needed to have some answers regarding what was involved with the new jail. He said he would like to see the \$2.2 million go into the capital fund for future school construction. Mrs. Hansohn agreed.

Mr. Aylor stated that the Board members who served on the School Oversight Committee (SOC) had an advantage in discussing the needs and the SOC believed that it was a much better investment to build an addition at the existing school than to purchase trailers. He said that he disagreed that the Annex had not helped the overcrowding at the High School because it had helped tremendously and that was why plans were proceeding for a new elementary school. He said he agreed with Mrs. Hansohn’s comments that the funds should be designated for future elementary space.

Mr. Coates stated he had always been opposed to modular units because they served a short-term need and had no value when trying to move them. He said he supported the \$2.2 million for the addition to Farmington and would not recommend to the School Board that they consider placing modular units at that site.

Mr. Chase stated he was not trying to make suggestions to the School Board because they were the experts that decided what was needed. He said he was only

discussing the appropriate funding method and was suggesting that the funds be placed in the CIP until July until they decided how they wanted to proceed and at what cost.

Mr. Nixon asked Mr. Bossio whether the budget would need to be amended if the Board made a change in a line item in the budget. Mr. Bossio replied that the funds would be held in the budget and designated as a future elementary space line if the Board agreed. He said Dr. Cox and his staff would get together and decide what they wanted and the Board could reappropriate that money at that time.

Mr. Nixon questioned whether the money would need to be reappropriated if it was already in the new elementary school line. Mr. Bossio stated that it would have to be reappropriated since it was on the County side. Mrs. Lamb disagreed and stated that if the money had already been appropriated and the Board decided to leave it in the County CIP until such time it was transferred to the School CIP, it would not require an actual act of appropriation to move funds from one side to the other.

There was a brief discussion whether or not the money would need to be reappropriated or transferred to the School System. Mrs. Lamb said she would verify the information that it would only require a transfer.

Mr. Walker stated he did not think July was the magic date because a decision could be made earlier or later. He said it was just a method of holding the money in the County CIP until the Board knew what actions would be taken regarding the new jail, the future elementary school, the possible ten classrooms or whatever scenarios there might be. He said the Board should be looking at the situation on a longer term rather than the short term.

Mr. Nixon stated he agreed with Mr. Chase and Mr. Walker in terms of the need for future elementary space, but the School Board had made its decision that the best course of action would be to spend the \$2.2 million to build the Farmington extension and it was not important whether he agreed or disagreed.

Mr. Nixon moved to approve the budget as presented by the County Administrator for a total of \$124,970,552. Mr. Rosenberger seconded for discussion purposes.

Mr. Walker pointed out it was the Board's decision to identify the source of the funds and decide how they would be spent. He said the School Board would decide what was needed, but the Board would decide how to appropriate those funds. He pointed out that he had not seen any data on what the Farmington extension was going to cost. He noted that the Annex building started at \$1 million and \$1.5 million, but he had not seen any final

figures. He asked Mr. Chase whether he had received the final figures he had requested. Mr. Chase replied that he understood the final figures would be sent to him shortly. Mr. Walker stated he would like to have firmer figures before appropriating any County funds.

Mr. Chase stated that the reason he was raising the issue was that he believed all actions of the Board of Supervisors, School Board, and their respective administrative staffs, should be a matter of public record. He felt the funds should be placed in the CIP until more definite information was available.

Mrs. Hansohn called for the question.

Mr. Coates called for voice vote and a show of hands.

Ayes - Coates, Nixon, Rosenberger

Nays - Aylor, Chase, Hansohn, Walker

Motion failed 4 to 3.

Mr. Chase moved, seconded by Mrs. Hansohn, to adopt the budget as presented and to place the \$2.2 million in the County's CIP designated as new elementary space.

Mrs. Hansohn pointed out that since the School Oversight Committee would continue as a group, and she was sure these projects would be fully discussed in that forum.

Mr. Rosenberger stated he would support the motion on the floor, but he felt that there needed to be more concise, clear and open communication between everybody involved. He stated that from the discussions, there was an understanding of the Board's availability to borrow money and to work together to complete the goals sought in a timely fashion, but what was more important than borrowing the funds was the ability to repay the loans.

Mr. Coates called for voice vote.

Ayes - Aylor, Chase, Coates, Hansohn, Nixon, Rosenberger, Walker

Motion carried 7 to 0.

Mrs. Hansohn thanked Mr. Bossio and Mrs. Lamb for their hard work, as well as the work done by all of the County department heads and the School System, in bringing the budget forward.

OTHER BUSINESS

RE: CONSIDERATION OF CAPITAL IMPROVEMENT PLAN (CIP) FOR FY 2007-2011

Mr. John C. Egertson, Planning Director, informed the Board that the Capital

Improvement Plan being considered was a planning document and was not to be confused with the capital budget just approved. He explained that the CIP was produced by the Planning Office, with input from all County departments, and it would be adjusted so that the 2007 numbers would match the capital budget. He said the plan was reviewed in its entirety by the Planning Commission as required by State Code, and he asked the Board to adopt the document as a public planning document.

Mr. Nixon asked whether the ten-classroom extension at Farmington shown at \$2.2 million would be changed. Mr. Egertson assured him that it would be amended to match the capital budget which had been approved by the Board and the remainder of the 2008-2011 projects would be adjusted for planning purposes during those years.

Mr. Chase thanked Mr. Egertson and his staff for the developing an excellent planning document.

Mr. Nixon moved, seconded by Mr. Aylor, to adopt the CIP Plan as presented with the ten-classroom extension at Farmington changed to "capital for future elementary space".

Mr. Coates called for voice vote.

Ayes - Aylor, Chase, Coates, Hansohn, Nixon, Rosenberger, Walker

Motion carried 7 to 0.

ADJOURNMENT

Mrs. Hansohn moved, seconded by Mr. Nixon, to adjourn at 11:05 a.m.

Mr. Coates called for voice vote.

Ayes - Aylor, Chase, Coates, Hansohn, Nixon, Rosenberger, Walker

Motion carried 7 to 0.

Peggy S. Crane, CMC
Deputy Clerk

John F. Coates, Chairman

ATTEST:

Frank T. Bossio
Clerk to the Board

Approved: June 6, 2005